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TELEGRAM

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ACTION AF-18

INFO OCT-01 NEA-10 EHR-25 CIAE-00 DODE-00 PM-09 H-02
INR-09 L-03 NSAC-00 NSC-10 PA-03 PSC-01 PRS-01 SS-14
USIA-12 EB-11 COME-00 TRSE-00 INT-08 OEP-01 CIEP-02
OPIC-12 OMB-01 RSR-01 /154 W

R 251430Z FEB 73
FM AMEMBASSY TRIPOLI
TO SECSTATE WASHDC 9720
INFO AMEMBASSY BEIRUT
AMEMBASSY JIDDA
AMEMBASSY KUWAIT 0389
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY TEHRAN

C O N F I D E N T I A L TRIPOLI 00222

DEPT PASS CAIRO

SUBJ: LARG/OASIS PARTICIPATION NEGOTIATIONS

REF: TRIPOLI 00211

SUMMARY: AS A RESULT OF IMPASSE DURING FEBRUARY 24
MEETING OVER COMPENSATION FORMULA, PARTICIPATION
PERCENTAGE AND PRICE OF BUY-BACK CRUDE, LARG AND
OASIS HAVE AGREED TO RETURN DISCUSSIONS TO TECHNICAL
COMMITTEES AND DEFER MEETING WITH PM JALLUD. END SUMMARY

2. [REDACTED] GAVE ECONOFF FOLLOWING DATA ON
FEBR 24 MEETING BETWEEN OASIS NEGOTIATOR SHAFER AND
MINISTER OF PETROLEUM MABRUK.

3. AFTER REVIEWING FIGURES AS BASIS FOR AN EXPLORA-
TION ALLOWANCE, SHAFER TOLD MABRUK THAT ALLOWING
TWELVE PERCENT INTEREST RATE ON EXPLORATION COSTS UP

DEPARTMENT OF STATE A/CPC/NE

REVIEWED BY CP DATE 12/20/82

POSTED TO [REDACTED]

TS [REDACTED]

DISPATCHED [REDACTED]

DISPATCHED [REDACTED]

RELEASED BY [REDACTED]

PA ON FOI EXEMPTED [REDACTED]

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TO TIME OF FIRST COMMERCIAL DISCOVERY IN EACH PRODUCING CONCESSION WOULD YIELD FIGURE ONLY ABOUT ONE-THIRD OF WHAT COMPANIES FELT WAS EQUITABLE. SHAFER AGAIN ARGUED IN FAVOR OF FORMULA WHICH WOULD INCLUDE EXPENDITURES UP TO TIME OF FIRST CRUDE EXPORT AND COVERING ALL CONCESSIONS. MABRUK REJECTED SHAFER'S PROPOSAL.

4. MABRUK THEN OFFERED NET BOOK VALUE FIGURE FOR OASIS HOLDINGS APPROXIMATELY FIVE MILLION DINARS LOWER THAN WHAT COMPANY HAD COMPUTED. SHAFER CONTENDED DIFFERENCES IN FIGURES MIGHT BE DUE TO MABRUK USING NOVEMBER 1972 AS POINT OF RECKONING AND FAILING GIVE ALLOWANCES FOR INVENTORIES AND INCOMPLETE CONSTRUCTION.

5. MABRUK ALSO REFUSED DISCUSS 5% PERCENT PARTICIPATION, SAYING SIMPLY "WE MUST HAVE IT," AND INDICATING UNWILLINGNESS WORK OUT COMPROMISE ON BUY-BACK CRUDE WHICH WOULD, AS COMPANIES WISH, BRING PRICE CLOSE TO TAX PAID COST.

6. SHAFER AND MABRUK WENT OVER ABOVE GROUND TWICE AND EACH TIME SHAFER SUMMED UP SAYING THEY WERE FAR APART. MABRUK SAID POSITIONS NOT SO DISSIMILAR. BOTH PARTIES AGREED IT BETTER TO WORK FURTHER ON FIGURES BEFORE CALLING IN PM JALLUD. ACCORDINGLY, TECHNICAL COMMITTEES WILL RECONVENE FEBRUARY 25 TO EXCHANGE FIGURES ON PARTICIPATION PROBLEMS AS WILL LEGAL COMMITTEES TO DISCUSS OPERATING AGREEMENTS. ON TACTICS FOR LATTER TALKS COMPANIES ARE DIVIDED; SOME FEEL OPERATING AGREEMENTS BETTER LEFT UNTIL AFTER PARTICIPATION ACCORD SIGNED WHILE OTHERS CONTEND COMPANIES' BARGAINING POSITION STRONGER IF THEY SETTLE OPERATING RULES PRIOR TO PARTICIPATION AGREEMENT.

7. COMMENT: FOR MOMENT, AT LEAST, HEAT IS OFF COMPANIES

THOUGH THIS HAS BEEN ONLY MODERATELY SUCCESSFUL TO DATE IN CLOSING GAP BETWEEN TWO SIDES, IT HAS AT LEAST KEPT MABRUK TALKING AND HAS AVOIDED PREMATURE SHOW-DOWN WITH PM JALLUD. GDS.

JOSIF

NOTE BY OC/T: NOT PASSED CAIRO.

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